

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 10/24/2014
Date: **July 24, 2014**

Employer Identification Number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Name
Y= Name
Z= State
b dollars = Amount
c = Number
d = Number
e dollars = Amount
x dollars = Amount
y dollars = Amount
z dollars = Amount

Dear :

You received advance approval for your grant making program on January 9, 2007; under this program you made qualifying distributions under Section 4945(g)(1). You are revising your grant-making program and are now requesting advance approval of your revised grant making procedures to fund the education of certain qualifying students. This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations in Code section 117(b)).

Description of your request

Your letter indicates you operate a scholarship program called X. The purpose of X is to award scholarships for tuition, books, room and board to undergraduate students. Your scholarships are renewable as long as certain criteria are met.

To be eligible for X, recipients must be citizens of the United States of America, and enrolled in either a 2-year or 4-year accredited university or college located in the state of Z, and one of the following:

1. Graduated from a high school, either public or private, located in the geographic region defined by Y or,
2. Completed a home-school curriculum that meets or exceeds the Z high school graduation requirements as determined by state mandated exit level testing scores while residing within the geographic region defined by Y.

You will promote X by sending information to counselors and advisors at high schools located in the geographic region defined by Y. You will also promote X on your website and possibly also the websites of organizations relevant to home school students.

You anticipate scholarship funds available each year for first year recipients to be b dollars, with the expectation of granting c scholarships to students enrolling in a four year program and d scholarships to students enrolled in a two year program, understanding this is subject to revision based on applications received; you also anticipate b dollars is the amount available each year for renewal per academic class, thereby ultimately resulting in an annual scholarship budget of e dollars.

You will limit individual scholarship awards for the initial enrollment year to x dollars (y dollars per semester) for students enrolled at a four year institution or y dollars (z dollars per semester) for students enrolled at a two year institution.

Students awarded a scholarship for their first year ("initial period") will be eligible to receive renewal awards up to a maximum as follows:

1. For a four year college program, x dollars annually for three of the following four years beyond their initial period.
2. For a two year college program, y dollars for the second year following their initial period.

Applicants are required to complete a detailed application including an essay describing their academic plans, career plans and plans for personal engagement in community service activities as well as an essay describing their leadership and community service activities during the past 12 months. In addition, a transcript must be provided and as well as recommendation letters.

Applicants will be evaluated on the following: 1) academic qualifications from their academic records, exit level test scoring, and college entrance exam scores, 2) financial need based on the Expected Family Contribution (EFC) established by law for federal student financial aid, 3) community service involvement throughout high school, 4) recommendation letters from three adults, inclusive of an academic team member, a manager within an organization for which the student has provided community service, and one other adult advisor that has known the student at least one year, 4) leadership experience during high school, and 5) an essay written by the student.

All scholarship grants are to be non-discriminatory and there are no restrictions or limitations in the selection procedures based upon race. Selections of individuals will not be based in whole or in part on the employment status of any applicant. Nor shall any relative of any applicant be considered. Relatives of your executive director, program officers, or board of directors will also not be eligible for scholarship grants.

Selection Process for the Initial Application: Students entering college for the first time following successful completion of a high school curriculum, and enrolling within one year of that completion, will submit your application to a third party administrator contracted by you to screen applicants objectively based on established criteria. The initial screening will result in a semi-finalist pool limited in number to three to four times the number of scholarships to be awarded. Then, the applications of the semifinalist pool will be submitted to a panel of reviewers consisting of community leaders, educators, and other persons interested in education. Each application will be reviewed by three members of this panel and those evaluations will be submitted to the third party administrator for compilation. The compiled report of panel evaluations and the applications will be submitted to your professional staff for review. The professional staff will rank the applicants based on the administrator's report of panel evaluations, review any extenuating circumstances for consideration identified in the evaluations of the panelists, and submit 1) a list of finalists, 2) a list of alternates, and 3) a report of extenuating circumstance, if any, to be considered to the board of directors for approval.

Selection Process for the Renewal Application: Students will submit an application to you to report information following the end of each academic year to include a report of achievement for that year. Each application will be screened by your staff to assess completion of the minimum requirements for scholarship renewal established by you as follows:

- Must achieve a minimum 3.0 cumulative grade point average (GPA) on a four point scale by the end of the academic year. However, if, at any time, a student's semester/quarter grade point average falls below 3.0, regardless of the cumulative GPA, then the scholarship will not be renewed.
- Must maintain and pass at least twelve credit hours of undergraduate study per semester.
- Must volunteer time towards meaningful community service.

- Must participate in events that are scheduled specifically for scholarship recipients. Events might include dinners, barbecues, presentations, seminars or other similar type events.

At the end of each award year, recipients must submit the following materials:

- A resume listing number of hours worked at their current job and any leadership positions held.
- A copy of an unofficial transcript.
- A personal essay outlining what type of community service involvement they had during the prior 12 months.
- A letter of recommendation attesting to their volunteer activities and leadership abilities.

Students enrolled in a 4 year program who have chosen not to enroll in any semester during the eligible period must submit an explanation in writing to you to be eligible to receive scholarship funds upon their return to school. Students not reenrolling within one year of the close of the last enrolled semester or summer session are deemed ineligible for future scholarship awards. Recipients attending a 4 year institution must graduate within 5 years of their initial enrollment while recipients attending a 2-year institution must graduate within 2 years of their initial enrollment.

Funding will be made directly to the student's school of enrollment, following receipt of evidence of enrollment, and excess funds not issued to or on behalf of the student for qualified expenses named above will be returned to you at the end of the academic year.

You represent that you will arrange to receive and review scholarship reports annually and upon completion of the purpose, for which the scholarship was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds, ensuring other scholarship funds held by a student are used for their intended purposes and withholding further payments to recipients until you obtain assurances from the recipient that future diversions will not occur and that they will take extraordinary precautions to prevent future diversions from occurring.

You also represent that you will maintain all records relating to individual scholarships, including information obtained to evaluate applicants, identify whether a recipient is a disqualified person, establish the amount and purpose of each scholarship, and establish that you undertook the supervision and investigation of scholarships.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a

grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You may report any significant changes to your program by completing Form 8940 and sending it to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations